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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 PA-01 PRS-01 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NEA-09 NSAE-00 OPIC-03 SP-02

TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 SS-15 NSC-05

STR-01 XMB-02 L-02 AGR-05 EURE-00 /105 W

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 5946

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

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AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: XCSS DISCUSSION ON RAW MATERIALS

REF: OECD PARIS 05773

1. SUMMARY. IN A DISCUSSION STIMULATED BY SECGEN'S PAPER ON RAW MATERIALS PROBLEM, ALL DELS EXPRESSED INTEREST IN INTENSIFYING OECD WORK IN THIS AREA, AND VIEW WAS ACCEPTED THAT OBJECTIVE SHOULD INCLUDE MINISTERIAL DECLARATION IN MAY ON RAW MATERIALS POLICY. COMMITTEE COMMISSIONED SECGEN TO CONVENE TASK FORCE OF EXPERTS FROM INTERESTED GOVERNMENTS TO PRODUCE A PRELIMINARY STUDY BY THE NEXT MEETING OF THE XCSS SCHEDULED FOR MAY 6-7. STUDY WILL BE UNDERTAKEN IN CLOSE LIAISON WITH TRADE COMMITTEE AND FOCUS ON THOROUGH ANALYSIS OF PROBLEMS AND POSSIBLE OPTIONS FOR OECD COUNTRY ACTIONS, PARTICULARLY WHERE THIS WOULD IMPROVE DC/LDC COOPERATION ON RAW MATERIALS. END SUMMARY.

2. STARTING POINT OF XCSS RAW MATERIALS DISCUSSION WAS PROVIDED BY SECRETARIAT PAPER (TEXT CONTAINED REFTEL) DISTRIBUTED TO DELS MARCH 11, TO WHICH MOST DELS COULD ONLY OFFER UNOFFICIAL REACTION. US DEL (ROBINSON) STRESSED THE NEED TO STUDY THE POSSIBILITY THAT INCREASED FLUCTUATIONS IN RAW MATERIALS PRICES COULD POSE SERIOUS THREAT TO PRESENT WORLD ECONOMIC STRUCTURE AND SUGGESTED OECD WAS APPROPRIATE FORUM TO INVESTIGATE THIS AND OTHER KEY ASPECTS OF RAW MATERIALS PROBLEMS (ECONOMIC DISTRESS OF LDC'S, NEED TO IMPROVE BROADER RANGE OF DC/LDC RELATIONS, AND DC INTEREST IN ADEQUATE SUPPLIES OF RAW MATERIALS IN LONGER TERM). HE URGED THAT STUDY TAKE INTERDISCIPLINARY APPROACH AND FOCUS ON DEFINITION OF PROBLEMS. UNDER SECRETARY SUGGESTED AD HOC GROUP EXPERTS UNDER AEGIS OF TRADE COMMITTEE UNDERTAKE WORK TO PROVIDE COMMON UNDERSTANDING OF PROBLEM AND TO SUGGEST LIMITED OFFICIAL USE

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POLICY ALTERNATIVES AS BASIS FOR DISCUSSION AT NEXT XCSS.

3. OTHER DELS GENERALLY SUPPORTED DESIRABILITY OF TAKING FRESH AND URGENT LOOK AT COMMODITY PROBLEMS, FOCUSING ON INDUSTRIAL RAW MATERIALS, ALTHOUGH THERE WAS VARIETY OF VIEWS ON TIMING AND EMPHASIS OF WORK. FRANCE STRESSED NEED TO TAKE POSITIVE APPROACH TO LDC

DEMANDS AND TO IMPROVE PRICE STABILITY. CANADIANS URGED CAUTION IN DEVELOPING SPECIFIC PROPOSALS AND NOTED THEIR RESERVATIONS ON OPERATIONAL ASPECTS OF SECGEN'S PAPER, WHICH THEY SAID AMOUNTED TO ESTABLISHING CONSUMER CARTEL. UK THOUGHT MAY TOO SOON TO HAVE CONCRETE RESULTS FROM STUDY, AND AUSTRALIANS RESISTED EXCLUSION OF AGRICULTURAL PRODUCTS FROM WORK PROGRAM. SEVERAL DELS POINTED UP APPARENT CONVERGENCE IN LDC AND DC INTERESTS IN GREATER STABILITY IN RAW MATERIALS SUPPLY AND PRICES AS THE KEY NEW ELEMENT IN THE INTERNATIONAL COMMODITY SITUATION AND URGED WORK FOCUS ON OPPORTUNITIES PRESENTED BY THIS FOR IMPROVED LDC/DC RELATIONS. WHILE SOME DELS (INCLUDING EC COMMISSION) THOUGHT URGENCY WAS BASICALLY POLITICAL, OTHERS AND SECGEN THOUGHT MAIN SHORT TERM DANGER WAS ECONOMIC AND POINTED TO DISMAL OECD GROWTH PROSPECTS IN NEAR FUTURE, WITH PROSPECT OF MUCH LOWER RAW MATERIALS PRICES AND INADEQUATE INCENTIVES FOR INVESTMENT TO SUPPLY LONGER TERM GROWTH NEEDS. DEBATE OVER STRUCTURING OF WORK RESULTED IN ACCEPTANCE OF ITALIAN PROPOSAL THAT EXPERT GROUP WOULD BE

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RESPONSIBLE TO XCSS ITSELF BUT WORK CLOSELY WITH TRADE
COMMITTEE ESPECIALLY IN THE AREA OF POLICY ALTERNATIVES.

4. COMMITTEE ACCEPTED CHAIRMAN'S SUMMARY OF DISCUSSION
WHICH GAVE SECGEN MANDATE TO ESTABLISH TASK FORCE TO
CARRY OUT INTERDISCIPLINARY EXAMINATION AND ANALYSIS OF
THE SHORT TERM ASPECTS OF INDUSTRIAL RAW MATERIALS PRO-
BLEMS AND PRODUCE A REPORT FOR THE NEXT XCSS MEETING IN
MAY. TRADE COMMITTEE WILL HAVE RIGHT TO CONSIDER BUT
NOT TO AMEND EXPERTS REPORT. XCSS WILL ALSO CONSIDER
POSSIBLE POLITICAL DECLARATION WHICH COULD BE MADE AT
MINISTERIAL ON SUBJECT OF RAW MATERIALS PROBLEMS. MAN-
DATE OF EXPERTS GROUP WILL BE TO START FROM DISCUSSION
AT THIS XCSS AND SECGEN'S PAPER AND FOCUS ON COINCIDENCE
OF INTEREST BETWEEN DC'S AND LDC'S ON IMPROVED STABILITY
OF PRICES, SUPPLIES AND INCOMES, SHOWING POSSIBLE OP-
TIONS FOR IMPROVED DC/LDC COOPERATION. EXPERTS GROUP
SHOULD PRODUCE PRELIMINARY REPORT BY BEGINNING OF MAY
AND A MORE SUBSTANTIVE REPORT BY MID-SUMMER TO PROVIDE
BASIS FOR OECD POSITION AT INTERNATIONAL MEETINGS THIS

FALL.
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